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GUATEMALA

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Political

Lt. Col. Carlos Castillo Armas, who led the rebellion which resulted in the overthrow of the pro-Communist Arbenz regime on 27 June, assumed the presidency of Guatemala on 1 September, following the resignation from the former junta of two members: Colonel Elfego Monzon and Major Enrique Oliva. This development followed a month of growing discontent among Castillo's own associates in the "liberation movement" and rumors of army dissatisfaction, and serves to strengthen Castillo's personal prestige. It does not assure elimination of the rivalry between the strongly anti-Communist, pro-clerical, conservatives who favor the preservation of the "liberation army" as an instrument of government policy, and the professional army. This rivalry is apt to determine the course of political maneuvering for months to come.

Currently, Castillo Armas rules under a relatively conservative "political statute" which has replaced the liberal 1945 constitution. The statute invests him with all legislative and executive functions, but not those of the judiciary. It disenfranchises illiterates and stipulates that labor, social, and agrarian matters will be the subject of separate laws. It is possible, however, that the 1945 constitution, in modified form, may be readopted pending the convocation of a constituent assembly and the adoption of a new basic law. All political parties have been suspended.

The success of the new regime in securing the backing of labor, with its great potential political importance, will depend upon its ability to eliminate the Communist excesses without repudiating the social and economic advances made since the popular revolution of 1944. Although the government has, to date, permitted anti-Communist labor leaders to attempt reorganization of the labor movement, these leaders have been given little encouragement by Castillo. The morale of labor is currently low because of indiscriminate and uncontrolled action by employers in the guise of "anti-Communism".

There appears to be little chance of a resurgence of Communist leadership in the near future. All Communist organizations have been dissolved and a drastic anti-Communist decree of broad applicability has been enacted. However, as the result of strong pressure by other Latin American countries, the most important Communist leaders - now in asylum in foreign embassies - are

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expected to leave Guatemala under safe conducts.

Economic

The Castillo government inherited an unsound, though not critical, economic situation and has been confronted by increased unemployment and depressed business conditions. Restoration of political stability and the establishment of confidence in the new government should cause conditions to return to normal, however, and greater guarantees for foreign and domestic capital may result in business conditions better than those existing under the Arbenz regime. The reconstitution of coffee plantations subdivided under the former agrarian law may help to restore government and private revenues.

To restore confidence, to consolidate its political position, and to stimulate business, the government has outlined an ambitious public works program, to cost 38 million dollars the first year and emphasizing highway development, housing, power, and irrigation. United States aid is being sought, and will be necessary, for the successful implementation of this plan.

Military

The fundamental basis for political power continues to reside in the Guatemalan army of some 6,000 men. Dissatisfaction with Castillo's leadership has been apparent in unsuccessful or aborted revolts on 3, 11, and 15 August and in rumors of continued plotting. However, Castillo has sought to assure his control over the army by the arrest or dismissal of officers known to be disloyal, by the reassignment of loyal officers, by the placing of trusted leaders of his "liberation army" in key posts, and by the integration of irregular liberation troops into regular army units. The army's potential for unified opposition has therefore been drastically reduced, though by the same token the resentment of professional officers has been incurred and the strength of the relatively small liberation force has been dissipated.

Should general professional army dissatisfaction be paralleled by continued dissatisfaction among organized labor, a powerful liberal, though non-Communist, alliance could eventually develop which would gravely threaten the stability of the present regime.